

EXHIBIT 2
DATE 1/13/09
HB 2

Healthy Montana Kids Plan

January 9, 2009

Presentation to:

Health and Human Services Joint Subcommittee

House Human Services Committee

Senate Public Health, Welfare, and Safety Committee

by

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Healthy Montana Kids Initiative

Summary of Major Provisions

Establishes a Healthy Montana Kids Plan which offers health care coverage to uninsured kids by increasing the eligibility for Medicaid and CHIP to 250% of the federal poverty rate

Re-names the Medicaid and CHIP program for children the Healthy Montana Kids Plan and requires this name be used to the extent possible under federal law

Streamlines the programs to make it easier for kids to receive services

Provides for the use of enrollment partners

Provides for presumptive eligibility

Eliminates the resource test for children when determining eligibility for Medicaid since CHIP does not require a resource test

Provides for a 3 month waiting period for children already covered by insurance (CHIP only)

States that the Department may provide premium assistance through employer-sponsored plans

Establishes a special revenue account for the Healthy Montana Kids Plan that consists of 33% of the money collected under 33-2-705 MCA (source is from fees and licenses for insurers in Montana)

- ~~Unexpected~~ balance remains in the account and can only be used for this health care coverage
- Funding available for additional enrollees after the effective date of the act (November 4, 2008); costs of enrollment; and administrative costs

Unexpended

2008 Income Eligibility Guidelines 100% - 250% FPL

Family Size	Current Medicaid - 6 years and older 100%	Current Medicaid - Under 6 years of age 133%	Current Medicaid - Pregnant women 150%	Current CHIP 175%	200%	HMK - CHIP 250%
1	866.67 10,400.00	1,152.67 13,832.00	1,300.00 15,600.00	1,516.67 18,200.00	1,733.33 20,800.00	2,166.67 26,000.00
2	1,166.67 14,000.00	1,551.67 18,620.00	1,750.00 21,000.00	2,041.67 24,500.00	2,333.33 28,000.00	2,916.67 35,000.00
3	1,466.67 17,600.00	1,950.67 23,408.00	2,200.00 26,400.00	2,566.67 30,800.00	2,933.33 35,200.00	3,666.67 44,000.00
4	1,766.67 21,200.00	2,349.67 28,196.00	2,650.00 31,800.00	3,091.67 37,100.00	3,533.33 42,400.00	4,416.67 53,000.00

NOTES: The average family size for children enrolled in CHIP and Medicaid is four.

To calculate 100% of the federal poverty level (FPL) for families larger than four, add \$300/month or \$3,600/year for each additional family member.
 CHIP Income Disregards: Dependent Care Expense-\$2,400/year day care expense per child or disabled adult; Earned Income Expense-\$1,440/year per working adult

Current Medicaid “Children’s 101”

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Current Medicaid Children’s Eligibility

- 150% FPL – automatic Newborn
- 133% FPL – infant through age 5
- 100% FPL – age 6 through 18
- Resident of Montana
- US citizen or qualified alien
- May be insured
- *Not* eligible for CHIP
- May be eligible for State of MT or MT University System health care benefits

Medicaid Children's Enrollment

- SFY 2007
 - Average monthly enrollment = 48,262
- No waiting list
- December 2008 enrollment = 46,977
- Medicaid eligibility ends because children:
 - Turns 19, get CHIP, move out of state, don't reapply for Medicaid or reapply but financially ineligible because over income or resources

Medicaid Federal Funding

- State Medicaid benefit match rates increasing
 - SFY 2009 = 31.92%
 - SFY 2010 = 32.51%
 - SFY 2011 = 32.97%
 - SFY 2012 = 33.43%
- Entitlement, not a grant – fed funds available to extent state has match

Medicaid Administrative Cap

- No Limit on Funds Available for Administrative purposes
- Federal Government Matches State Funds at 50%

Medicaid Administration Who Does What?

DPHHS

- Manage Fiscal Intermediary contract and assume risk.
- Manage Benefits
- Quality Assurance
- Eligibility determination and enrollment – county offices
- Customer Service
- Outreach
- Coordination and referral
- Health care management reporting

ACS Fiscal Intermediary Contract

- Claims payment
- Provider enrollment and support
- Customer Service
- Health care management reporting

Other Contractors

- Prior Authorizations
- Inpatient pre-certification
- Medical review

Medicaid Benefits

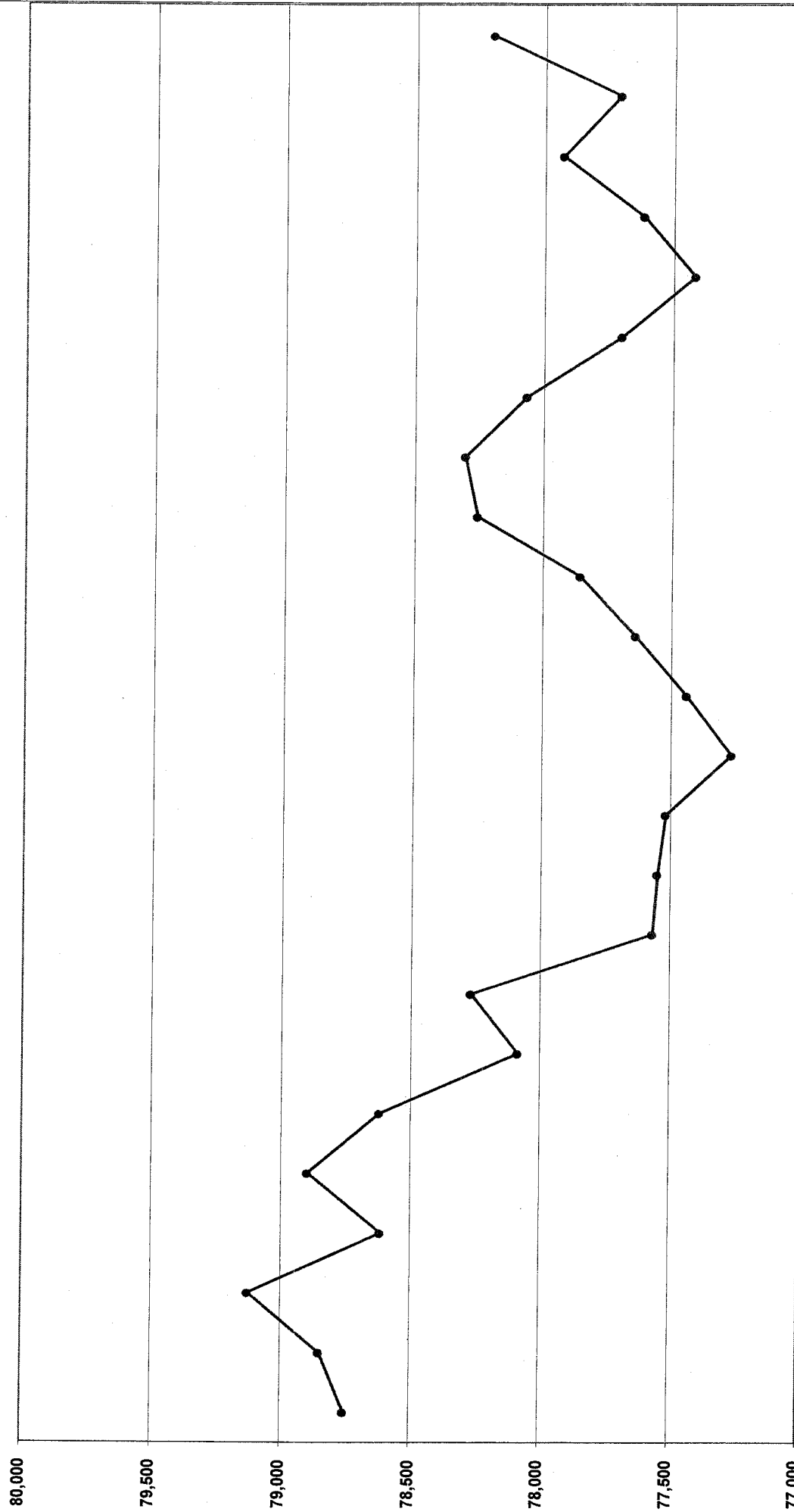
- All services that are medically necessary and that can be provided under Federal Medicaid Regulations (EPSDT)
 - Place of service and cost are still factors.
 - Child is not entitled to certain \$ amount or level of service.
 - No lifetime benefit maximum per child
- DPHHS pays Fee for Service (FFS) through a variety of methodologies

Contact Information

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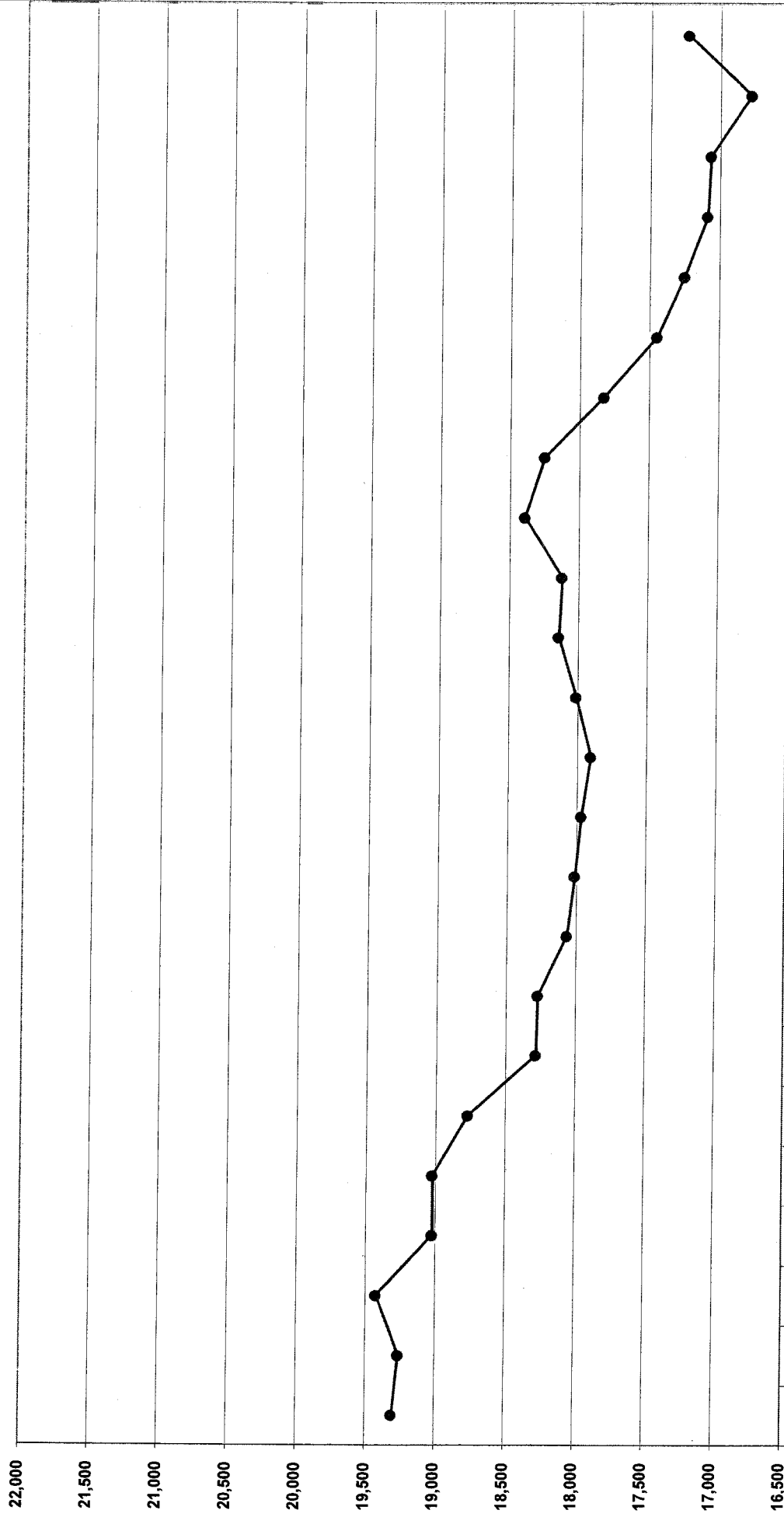
All Medicaid Eligibles

Monthly Enrollment



	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Total	78,752	78,846	79,123	78,610	78,894	78,618	78,086	78,268	77,569	77,551	77,517	77,264	77,438	77,637	77,860	78,256	78,305	78,068	77,700	77,417	77,614	77,927	77,704	78,202
Adults	31,788	31,747	31,855	31,619	31,665	31,457	31,232	31,282	31,059	31,144	31,074	30,924	30,981	30,988	31,117	31,279	31,282	31,179	31,117	31,050	31,057	31,216	31,059	31,225
Children	46,964	47,099	47,268	46,991	47,229	47,161	46,854	46,986	46,510	46,407	46,443	46,340	46,457	46,649	46,743	46,977	47,023	46,889	46,583	46,367	46,557	46,711	46,645	46,977

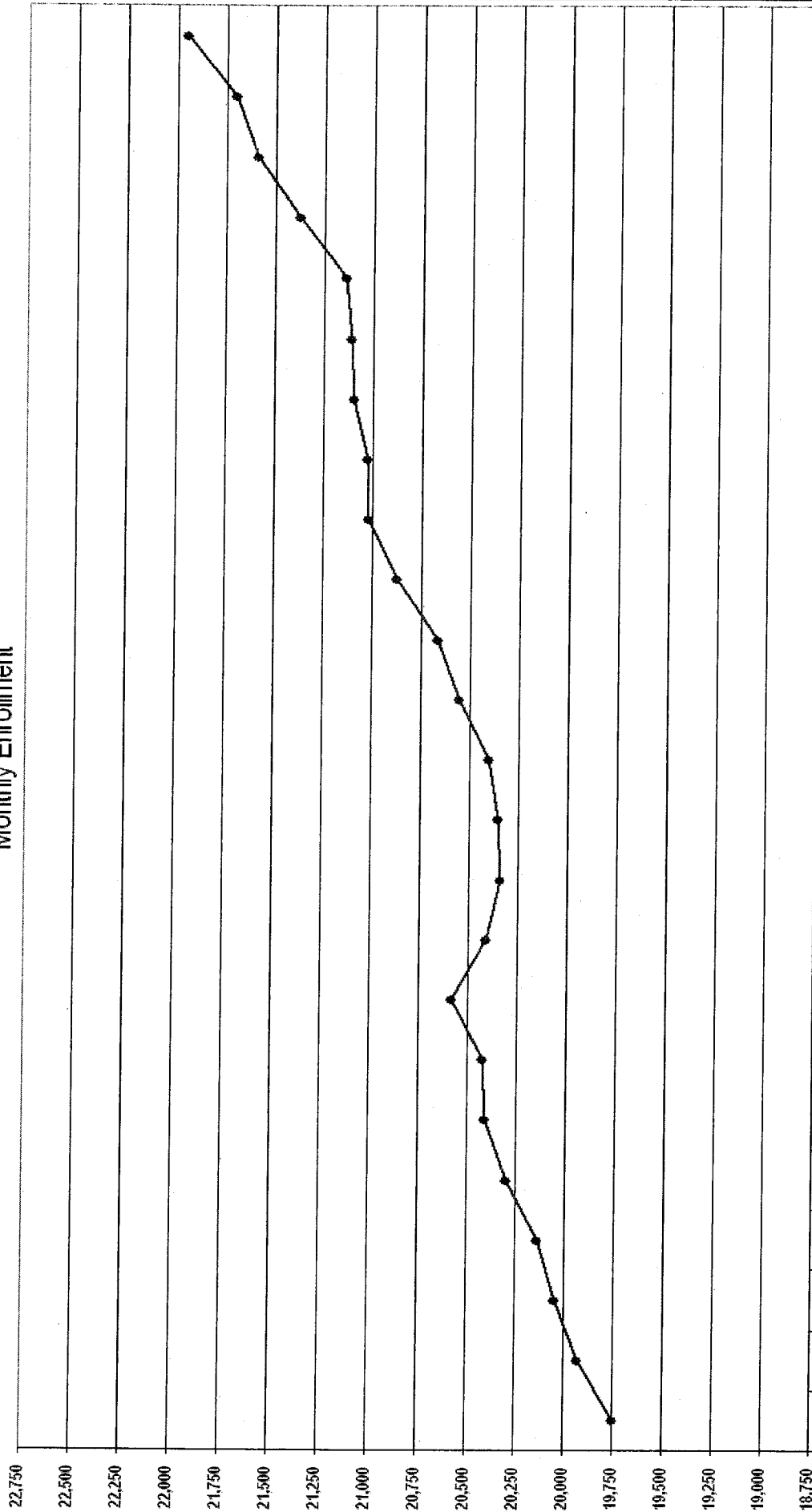
Family Medicaid Monthly Enrollment



	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Total	19,308	19,262	19,428	19,017	19,019	18,771	18,285	18,275	18,066	18,012	17,967	17,897	18,010	18,137	18,124	18,394	18,245	17,830	17,451	17,245	17,088	17,061	16,772	17,228
Adults	6,354	6,348	6,432	6,263	6,258	6,166	5,970	5,954	5,859	5,866	5,851	5,842	5,910	5,935	5,986	6,098	6,014	5,878	5,732	5,683	5,621	5,638	5,501	5,707
Children	12,954	12,914	12,996	12,754	12,761	12,605	12,315	12,321	12,207	12,146	12,116	12,055	12,100	12,202	12,138	12,296	12,231	11,952	11,719	11,562	11,467	11,423	11,271	11,521

Poverty Child: Infant to 18 Years of Age

Monthly Enrollment



	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Total	19,751	19,933	20,047	20,142	20,299	20,410	20,423	20,580	20,407	20,342	20,356	20,405	20,554	20,669	20,873	21,018	21,029	21,098	21,112	21,137	21,377	21,587	21,703	21,953
6 & Less	10,780	10,843	10,868	10,899	10,957	11,068	11,049	11,136	10,988	10,990	10,992	11,027	11,127	11,236	11,387	11,488	11,473	11,511	11,497	11,503	11,563	11,616	11,712	11,806
7 to 18	8,971	9,090	9,179	9,243	9,342	9,342	9,374	9,444	9,419	9,352	9,364	9,378	9,427	9,433	9,486	9,530	9,556	9,587	9,615	9,634	9,814	9,971	9,991	10,147

Current “CHIP 101”



January 9, 2009

Current CHIP Eligibility

- 175% FPL for children through age 18 (\$37,100/year for family of 4 effective February 2008)
- Resident of Montana
- US citizen or qualified alien
- *Not* insured
- *Not* eligible for Medicaid
- *Not* eligible for State of MT or MT University System health care benefits



CHIP Enrollment

- SFY 2008 average monthly enrollment = 15,570 children
- December 2008 = 17,310 children enrolled
- No waiting list since July 1, 2005
- CHIP eligibility ends because children:
 - Turn 19, get Medicaid or other insurance, become eligible for state insurance, move out of state, don't reapply for CHIP or reapply but financially ineligible




CHIP Federal Funding

- Montana is currently spending the FFY 2009 CHIP federal allocation (\$14.5M) which expires March 31, 2009
- CHIP Federal Re-authorization scheduled in early 2009
- CHIP match rates increasing
 - SFY 2007 = 21.37%
 - SFY 2008 = 21.93%
 - SFY 2009 = 22.29%



CHIP TPA Contract

- Contract with Blue Cross Blue Shield of Montana (BCBSMT) effective October 2006
- State, not BCBSMT, assumes the risk for claims
- Monthly payment to BCBSMT for administrative costs.
- Weekly payment to BCBSMT for paid claims



CHIP Administrative Cap

- State can exceed cap but no federal matching funds for administrative costs above 10%
- Administrative cap applied differently to fully-insured vs. self-administered plan
- Cap based on benefit costs
 - (enrollment x utilization x cost of services)

CHIP Self-Administration Who Does What?

DPHHS

- Manage Third Party Administration (TPA) contract & assume risk
- Manage dental, eyeglasses and extended mental health benefits
- Quality assurance
- Eligibility determination and enrollment
- Customer service
- Outreach
- Coordination & referral

BCBSMT – TPA contract

- Medical claims payment
- Provider enrollment and support
- “Blue Card” – negotiated rates for out of state services
- Customer service
- Prior authorization
- Inpatient pre-certification
- Medical review
- Health care management reporting

CHIP Benefits

- Benchmarked on State Employee Health Plan
- Third Party Administrative (TPA) contract with BCBSMT for medical benefits
 - DPHHS assumes risk and pays actual claims costs
 - BCBSMT provider network and claims processing
 - \$1M lifetime benefit maximum per child
- DPHHS pays Fee for Service (FFS) for dental services, eyeglasses and extended mental health services for children with serious emotional disturbances (SED)



CHIP Benefits

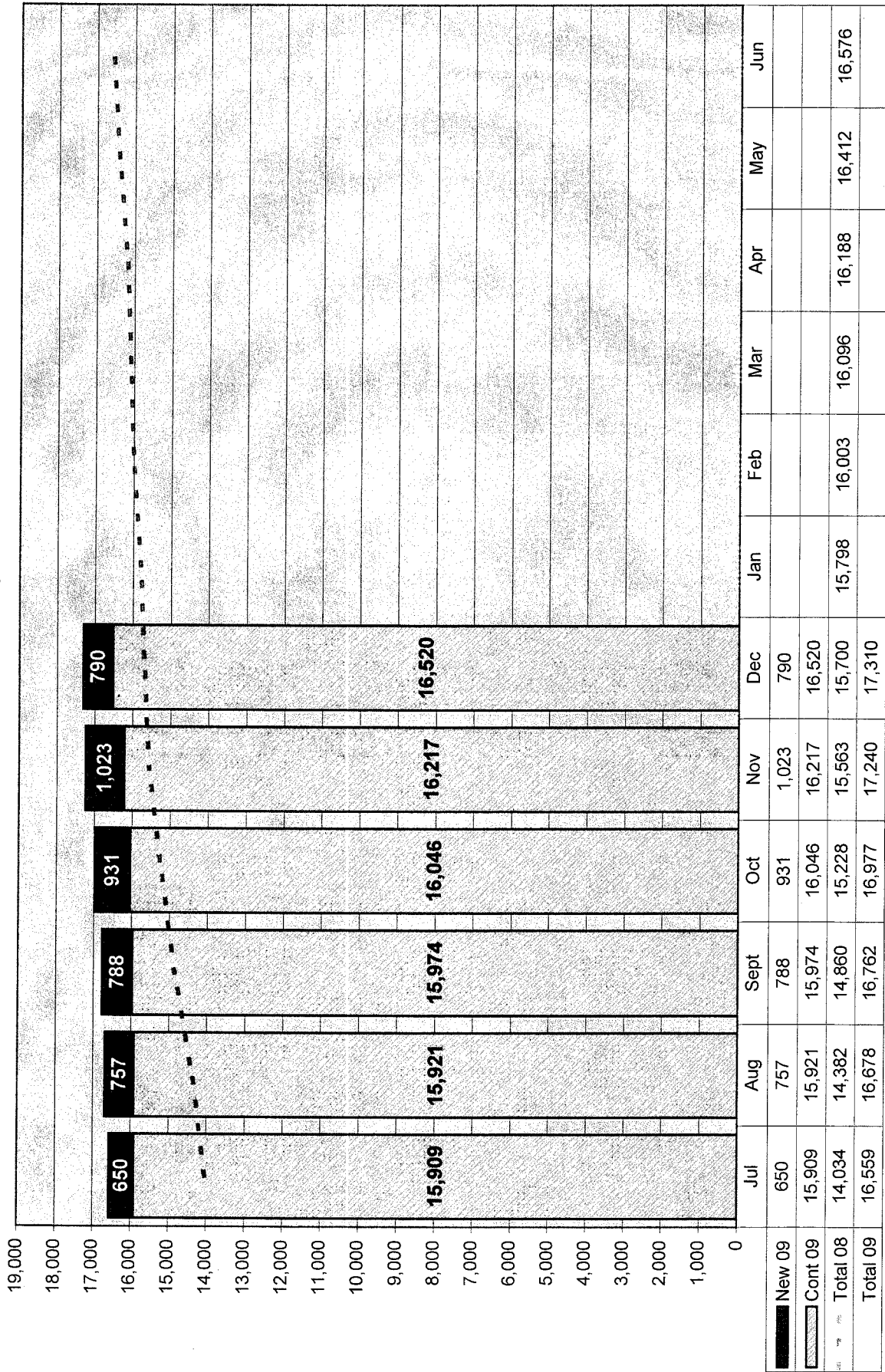
- Physician, PA, APRN services
- Sports and employment physicals
- Surgeries
- Clinic, ambulatory health care services
- Prescription drugs
- Lab and x-ray services
- Hearing exams
- Inpatient, outpatient & residential mental health services
- Extended mental health benefits for children w/ SED
- Inpatient, outpatient & residential substance abuse services
- Dental services and Extended Dental Plan services
- Vision exams and eyeglasses
- *There are no pre-existing condition limitations on benefits.*



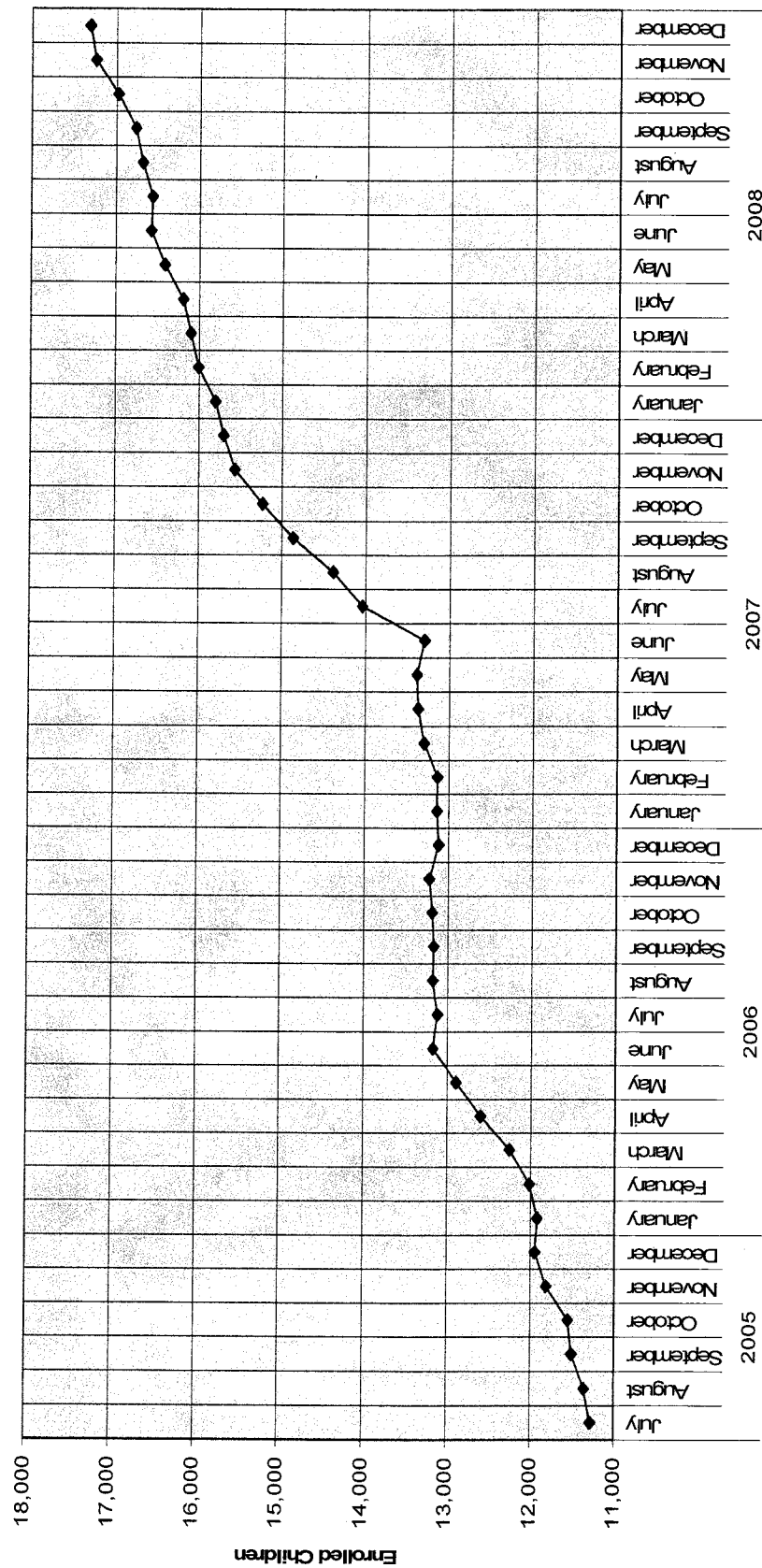
Contact Information

- Mary Dalton,
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- Jackie Forba, CHIP Bureau Chief
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- CHIP website: www.chip.mt.gov
- CHIP toll-free number: 1-877-543-7669

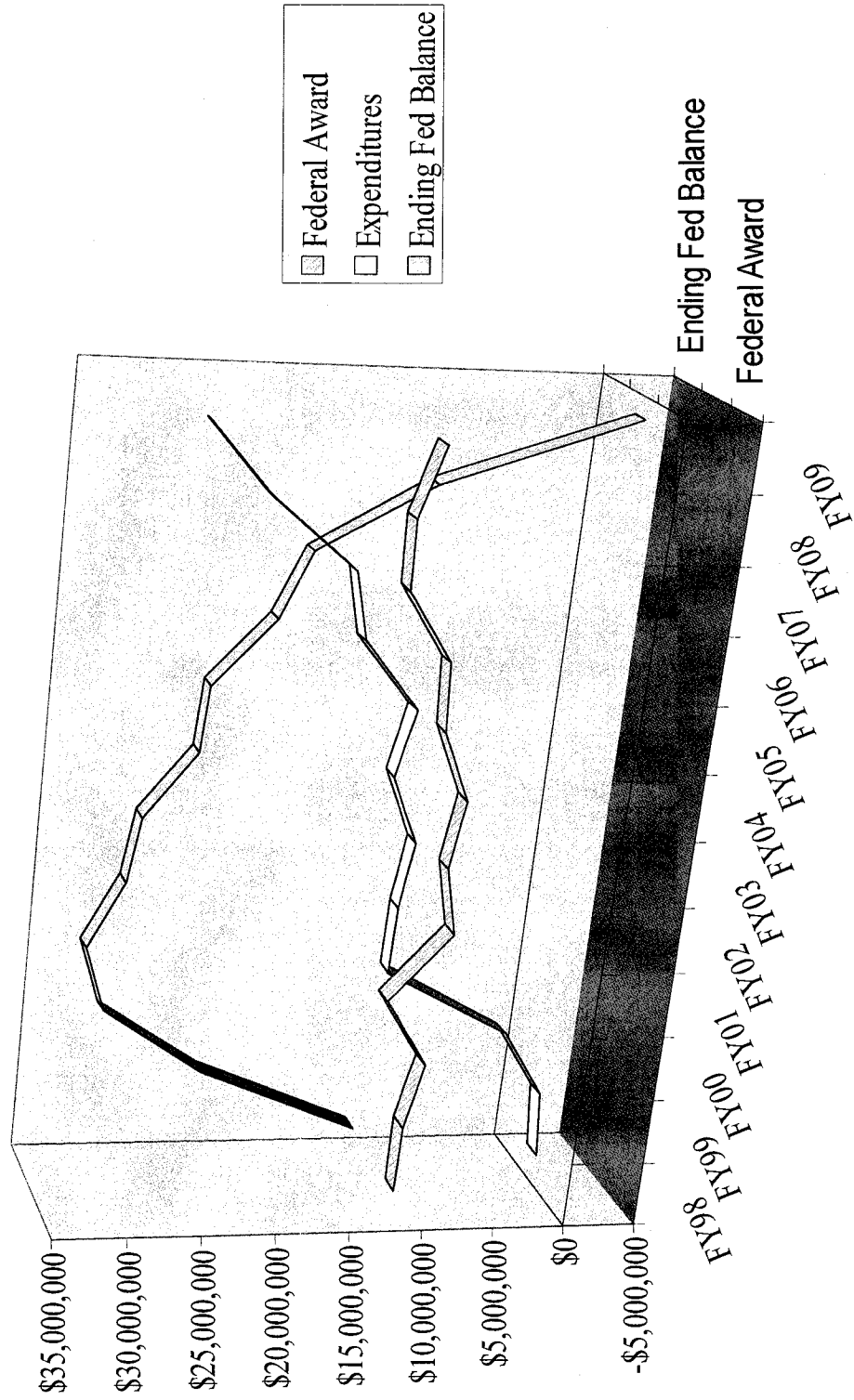
CHIP Monthly Enrollment: Comparing SFY 09 with SFY 08



Monthly CHIP Enrollment
July 2005 - December 2008



CHIP Federal Award vs Expenditures (without federal authorization)



Comparison of Montana Medicaid and CHIP Covered Services

Services	Medicaid – Children’s Programs	Children’s Health Insurance Plan (CHIP)
Ambulance	Yes	No
Anesthesia	Yes	Yes
Audiology	Yes	Yes
Targeted Case Management	Yes – if in target group	No
Chemical Dependency	Yes	Yes
Chiropractic	Yes	No
Clinic Services	Yes	Yes
Comprehensive Mental Health Services	Yes	Yes-limited # of visits/days. May be eligible for Extended Mental Health benefit
Dental Services	Yes	Yes-\$350 max payment/benefit yr. Extended Dental Plan (EDP) may be available.
Dentures	Yes	No
Prescription Drugs	Yes	Yes
Dialysis	Yes	Yes
Durable Medical Equipment	Yes	No
Emergency Rooms	Yes	Yes
Eyeglasses/Optician	Yes	Yes
Family Planning	Yes	Yes-services; No coverage for birth control prescriptions.
Federally Qualified Health	Yes	Yes
EPSDT	Yes	No
HCBS Waiver Services	Yes	No
Hearing Aids	Yes	Yes
Home Dialysis Attendant	Yes	No
Home Health	Yes – prior authorization required	No
Hospice	Yes	No
Inpatient Hospital Care	Yes	Yes
Indian Health Service Facility	Yes	Yes
Mid-Level Practitioners	Yes	Yes
Nursing Facility Services	Yes	No
Nutrition Therapy	Yes	Yes – inborn errors of metabolism only
Occupational Therapy	Yes	Yes
Optometric	Yes	Yes
Organ Transplant	Yes	No
Out of State Medical Services	Yes – prior authorization required	Yes – prior authorization required
Outpatient Hospital Care	Yes	Yes
Respiratory Services	Yes	Yes
Pain management	Yes	Yes
Personal Assistance	Yes – prior authorization required	No
Physical Therapy	Yes	Yes
Physician Services	Yes	Yes
Podiatry	Yes	No
Private Duty Nursing	Yes	No
Rural Health Clinics	Yes	Yes
School Medical Services	Yes	No
Speech therapy	Yes	Yes
Transportation	Yes – prior authorization required	No
X-Ray, Lab, Imaging Services	Yes	Yes

Health Resources Division

Healthy Montana Kids (I-155)

HRD Program Contacts

Medicaid Services, Director's Office Children's Health Insurance Plan (CHIP) Bureau Chief	Mary Dalton Jackie Forba	444-4084 444-5288	mdalton@mt.gov jforba@mt.gov
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Frequently Asked Questions and Answers

1. What is happening with federal reauthorization of CHIP?
 - The authorization and the funding for CHIP is scheduled to end March 31, 2009. The department does not know at this time, whether Congress and the President will choose to reauthorize or just extend the program. Nor do we know what funding level Montana can expect after the end of March.
2. Will CMS require Montana to use CHIP monies to pay for an expansion of Medicaid?
 - CMS current interpretation of the federal regulations is that the department would need to do so. The agency is hopeful this interpretation may change with the new administration.
3. Does DPHHS need a waiver to implement Healthy MT kids?
 - DPHHS is researching this issue. It appears CMS will not require a waiver to implement Medicaid or CHIP presumptive eligibility. Medicaid already has a premium assistance program, the Health Insurance Premium Payment (HIPP) administered through DPHHS, so a waiver will not be required for Medicaid. A Section 1115 waiver may be needed to implement CHIP premium assistance. If so, DPHHS will submit the waiver a minimum of 90 days prior to the projected implementation of the premium assistance program.
4. Is a waiver needed to implement the I-155 provision regarding assistance to employers who establish a premium-only health benefits plan under section 125 of the Internal Revenue Code, 26 U.S.C. 125, for the purpose of enrolling children in such a plan and allowing their families to pay any premium with pretax dollars?
 - It is not anticipated that a CHIP or Medicaid waiver will be needed to implement this aspect of the initiative. DPHHS will work with the State Auditor's Office regarding implementation.
5. What is the projected date for a Medicaid state plan amendment?
 - Technically, DPHHS has until the end of the first quarter after implementation (December 31, 2009) to submit Medicaid and CHIP State Plan Amendments (SPA) to CMS. DPHHS intends to submit the State Plan Amendments (SPAs) after January 20, 2009.

- DPHHS estimates CMS will approve SPAs for program expansions by August/September 2009. Implementation will occur in October 2009 after CMS approval is obtained.
6. I-155 financial eligibility increases for Medicaid – does DPHHS need a Medicaid state plan amendment or are there other ways financial eligibility could be increased without a state plan amendment – for example additional income disregards.
 - Medicaid must submit a state plan amendment (provision 1902(r) (2)) to implement more liberal income and resource methodologies.
 7. Does DPHHS need a waiver to cap enrollment in the Medicaid expansion population or do DRA changes allow the expansion program to include an enrollment cap?
 - DPHHS is not intending to cap enrollment in Medicaid. We do not believe a Medicaid cap is within the spirit or the intent of the initiative.
 8. When will Healthy MT Kids begin and what is the timeline to get to full enrollment?
 - First date of enrollment is October 1, 2009. Decision package 11011 in the HRD Division is based on the enrollment that we hope to achieve by 2013. No state has reached "full" enrollment in their Medicaid or CHIP expansions. The best states are between 90-95% and that is usually after about a decade of intensive outreach.
 9. How many children currently enrolled in CHIP would transition to the Medicaid expansion population if only Medicaid eligibility standards are raised (the assumption being that federal funding for CHIP is not expanded)?
 - Two things must occur in order for children currently on CHIP to transfer to Medicaid. CMS must "re-think" their position so that children at a federal poverty level who are currently covered by CHIP can be covered by Medicaid. If they do not change their current position, children up to 175% of poverty in Montana could not transfer to Medicaid. The other factor that determines a move from the program is the amount of the CHIP grant. Montana gets a better federal match for the CHIP program and would probably want to use it as the primary coverage for children because of that match.
 - The primary scenario in the decision package is based on the premise that CMS will reverse its current position on "once CHIP, always CHIP" and that the size of the CHIP grant is not large enough to cover the current CHIP enrollment plus an expansion to 250% of poverty. Under these scenarios all 17,240 children currently enrolled in CHIP would be eligible for the Medicaid funded portion of the Healthy Montana Kids plan at the time of their CHIP annual reapplication. This assumes families choose to reapply for CHIP and continue to meet the financial (<175% FPL) and non-financial (Montana resident, less than 19 years of age, etc.) eligibility criteria.
 10. How many children were enrolled in Medicaid as of November 5, 2008 and in CHIP as of November 5, 2008?
 - There were 46,711 children enrolled in Medicaid and 17,240 children enrolled in CHIP as of November 1, 2008. Of the children enrolled in Medicaid, 21,376 children were in the Children-Under Age 6 and Children-Age 6 to 19 programs. The remaining Medicaid children (approximately 25,000) were in other coverage groups such as: family, transitional, foster care, subsidized adoption, pregnancy-related, disabled children and automatic newborn Medicaid programs.

11. Please describe the anticipated eligibility process. Can an eligibility process like that of CHIP be used? If not, why not?
- DPHHS intends to simplify the eligibility process as much as it can within the limitations of the programs. Federal regulations for Medicaid (e.g. citizenship and identity verification, etc.) are stricter than CHIP, so the differences in program requirements must be addressed.
12. What is the projected date of rule publication?
- July/August 2009
13. What is the projected date of eligibility systems enhancement completion?
- August 31, 2009
14. When will Outreach programs begin?
- Summer 2009
15. When will the state begin education of enrollment partners?
- Late Spring / Early Summer 2009
16. What process is necessary for Healthy MT Kids to be funded at the state level?
- The legislature needs to pass two legislative bills in order to appropriate funds for the Health Montana Kids (HMK) Plan.
 - The legislature needs to approve HB157 which Representative Chuck Hunter is introducing at the request of the department. The bill provides for revisions to the Healthy Montana Kids (HMK) Plan Act, provides for extended rulemaking authority, delays implementation of the act subject to federal funding, provides an appropriation for SFY 2009*, and provides for an immediate effective date for HMK.
 - The legislature needs to approve the DPHHS Health Resources Division Decision Package (DP 11011) in the Executive Budget. This present law adjustment adds 60 new FTE and \$36 million from the state special revenue funds and \$72.6 million federal funds over the biennium to expand Medicaid and CHIP programs for children's health insurance enacted by the passage of voter Initiative 155 and effective November 4, 2008. This request is contingent upon federal approval of both CHIP and Medicaid state plan amendments and the receipt of matching federal funds.

(* The revenue for funding Healthy Montana Kids is available beginning November 4, 2008. The state needs appropriation authority to expend this revenue.)

1 HOUSE BILL NO. 157

2 INTRODUCED BY C. HUNTER

3 BY REQUEST OF THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE HEALTHY MONTANA KIDS PLAN
6 ACT; PROVIDING FOR EXTENDED RULEMAKING AUTHORITY; DELAYING IMPLEMENTATION OF THE ACT
7 SUBJECT TO FEDERAL FUNDING; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 53-4-1105
8 AND 53-4-1109, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11
12 **Section 1.** Section 53-4-1105, MCA, is amended to read:

13 **"53-4-1105. Rulemaking -- active enrollment -- plan coordination.** (1) The department shall adopt
14 rules necessary to implement this part, including plan administration, plan enrollment, outreach efforts, and
15 standards of performance to allow enrollment partners to assist in enrolling children in the plan or other health
16 coverage plans administered by the department.

17 (2) The rules must:

- 18 (a) establish a process for identifying and approving enrollment partners;
19 (b) create and define an active enrollment process;
20 (c) promote seamless movement between programs described in 53-4-1104(2);
21 (d) promote accessible enrollment through enrollment partners;
22 (e) provide, to the extent permitted by law, a single point of access in the department for plan members;
23 (f) define income for purposes of determining eligibility for children's health coverage programs within
24 the plan;
25 (g) provide for presumptive eligibility, including limitations on the number of requests that may be made
26 by an applicant; and
27 (h) encourage enrollment partners to actively enroll as many eligible, uninsured children as possible in
28 the plan or in an employer-sponsored plan as described in 53-4-1108.
29 (3) The rules may include the development of enrollment partner training, technical assistance programs,
30 and performance measures.